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UNCLAS ABU DHABI 03834

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UNCLAS SECTION 01 OF 03 ABU DHABI 003834

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TAGS: [ECON](#) [ETRD](#) [EFIN](#) [PREL](#) [PTER](#) [IZ](#) [TC](#)
SUBJECT: UAEG GIVES USTR ZOELLICK HIGH-LEVEL COMMITMENT TO
RELATIONSHIP

¶1. (SBU) Summary: UAEG leaders assured USTR Ambassador Zoellick that the UAE remained interested in negotiating an FTA with the U.S. They also assured him that the UAEG was taking steps to end implementation of the secondary and tertiary aspects of the Arab League boycott and would ensure that the revised labor laws would be ILO compliant. They said that they understood the USG's requirement for national treatment for U.S. investors, but indicated that they would be looking for a short transition period for existing agency relationships. Finally, they officially informed Ambassador Zoellick that MinState for Finance Dr. Mohammed Khalfan Khirbash would be the point person on any FTA negotiations. End Summary.

¶2. (U) On October 13, Ambassador Zoellick met in Abu Dhabi with Deputy Prime Minister/Minister of State for Foreign Affairs Sheikh Hamdan bin Zayed Al-Nahyan (HBZ); Minister of Economy and Commerce, Sheikh Fahim Al-Qasimi; Abu Dhabi Deputy Crown Prince, Sheikh Mohammed bin Zayed Al-Nahyan (MBZ); Chairman of the Abu Dhabi Department of Economy, Sheikh Hamed bin Zayed; and in Dubai with Minister of Finance, Sheikh Hamdan bin Rashed Al-Maktoum (HBR); Minister of State for Finance, Dr. Mohammed Khalfan bin Khirbash; and U.S. and Emirati private sector representatives. Ambassador Zoellick also visited the port of Jebel Ali and conducted press interviews.

¶3. (SBU) During his meetings, Ambassador Zoellick emphasized that the U.S. sought high quality, "state of the art" FTAs. He stated that the U.S. preference was to

negotiate FTAs with reform leaders, both as a way of recognizing their reforms and as a way to provide an example that would encourage other countries to raise their standards. Ambassador Zoellick's UAEG interlocutors agreed with this approach and stressed that the UAE was committed to economic reform and to a FTA with the U.S. Sheikh Mohammed bin Zayed, for example, said that the UAE viewed itself as a positive example for the region and believed that a U.S.-UAE FTA would have regional benefits. He wryly noted that "we (the UAE) get jealous when we see another country signing an FTA with you." MinEconomy Al-Qasimi added that at the October 12 GCC Economic Ministers meeting, all but Saudi Arabia favored moving forward with bilateral trade negotiations with the U.S. rather than negotiating a multilateral GCC agreement. He noted that he, personally, favored ways of improving regional integration, but that if any country could not meet the high standards required in a FTA, other countries (i.e., the UAE) should move forward on their own (and encourage the others to catch up).

14. (SBU) Ambassador Zoellick told his interlocutors that he was very impressed with the progress made in the TIFA Council discussions with the UAE. He outlined in general terms the requirements of our FTAs, including complete coverage on goods and services, customs, environment, etc. Ambassador Zoellick specifically highlighted areas where we have concerns including the Arab League Boycott, and investment issues (Companies and Agencies laws, and restrictions in banking and insurance), and labor. He noted the generally good IPR environment in the UAE, but asked to work more closely together on dealing with counterfeit products.

15. (U) Ambassador Zoellick also provided the UAE a possible timeline if both parties decided to move to FTA negotiations. He explained that he would need to formally notify Congress of the Administration's intent to negotiate with the UAE. After this notification, there would be a mandatory 90-day waiting period before negotiations could start. Depending on the complexity of the negotiations, they could take about a year. There would then be another 90-day period before the USG could sign the agreement and send it to Congress for an "up-or-down" vote. He said that, if the decision was made to move forward, he thought negotiations could start in early 2005 and be presented to Congress in 2006. He stressed that the UAE needed to make its case, both with the USG and with the business community, for an FTA.

16. (SBU) The UAEG leadership stressed eagerness to move forward with FTA negotiations as quickly as possible and keen interest in resolving issues. Sheikh Hamdan bin Zayed, who was clearly well briefed, without prompting raised the key areas of concern for the U.S. and stressed that the UAE was coordinating the efforts of all relevant federal and local entities to ensure that the UAE took the necessary steps for an FTA. He added that, due to his success leading the UAE TIFA team, MinState for Finance Dr. Mohammed Khalfan bin Khirbash would be the UAE's point person for the FTA negotiations, and that MinEcon Sheikh Fahim Al-Qasimi would also play a key role. In Dubai, Sheikh Hamdan bin Rashid Al-Maktoum indicated that there had been an internal debate over some of the more sensitive issues under discussion, particularly labor issues and the agency law, but that all parties were fully committed to moving forward to an FTA with the U.S.

Arab League Boycott

17. (SBU) In his meeting with Sheikh Hamdan bin Zayed and Sheikh Fahim Al-Qasimi and his meeting with Sheikh Hamdan bin Rashed, Ambassador Zoellick stated that he understood that the UAE had renounced the secondary and tertiary aspects of the Arab League boycott against Israel. However, noting that prohibited boycott language continues to appear in contracts, he underscored that these boycott

requests would have to cease for an FTA to move forward. Sheikh Hamdan bin Zayed stressed that the UAEG would adhere to its commitments and would not/not implement the secondary and tertiary aspects of the boycott, and that the UAE was committed to resolving the issue, was already notifying companies that they needed to modify their contracts, and that the UAEG would be following-up to ensure this happens. Sheikh Al-Qasimi, whose Commerce Ministry implements the boycott, noted that many UAE companies used old forms, but promised that "this issue will not come up again. Instructions have been prepared." During Ambassador Zoellick's meeting with U.S. businesses, one company complained that it still faced boycott language. The company representative noted that, although the company was able to remove the offending language from tender documents, it was a long process and sometimes the company lost business because of the time required to fix the forms. (Note: post will continue to follow up with the UAEG and U.S. businesses to be sure that this problem is resolved quickly.)

Agencies and Companies Laws

18. (SBU) Ambassador Zoellick highlighted USG concerns about UAE legislation such as the Agencies and Companies laws that limit U.S. ownership of businesses in the UAE outside the free zones and discourage foreign investment. His comments found a ready audience with U.S. businesses, which highlighted this as a concern and specifically noted the costs involved in "getting out" of a franchising relationship. Both Sheikh Hamdan bin Zayed and Hamdan bin Rashed noted that this was a sensitive area for the UAE, but recognized that ultimately any solution would have to provide U.S. investors with national treatment. Sheikh Hamdan bin Zayed stressed that all new investors under an FTA would receive national treatment, but noted that some of the established local agents would be opposed to change and noted that the UAE would be seeking a short transition period (until 2006) for existing agency agreements. One UAE businessman also implied that this was a sensitive area for the UAE, when he urged the U.S. not to take "a cookie cutter approach" to the FTA.

Labor

19. (SBU) In all of his meetings with UAE leaders, Ambassador Zoellick stressed that the USG requires its FTA partners to enforce their own labor laws, but also expects that these laws will be consistent with international standards, as defined by the ILO. He explained that the USG understood the UAE's demographic and security concerns and urged UAE leaders to work with the USG and the ILO on developing labor laws and labor union laws that met UAE security concerns and ILO standards. There was no intent to use labor and environmental concerns as barriers to trade; negotiations over these issues would thus take the form of a "problem-solving exercise." Sheikh Hamdan bin Zayed and Sheikh Mohamed bin Zayed both said that the UAEG understood the requirement and would meet the ILO's concerns, and Sheikh Hamdan bin Zayed stressed "there will be unions." MinState Khirbash also stated that the UAE's labor laws would be ILO compliant. Hamdan bin Rashid in noted that any new approach on labor would need to take into account the fact that many of the laborers in the UAE were here only temporarily, for a year or two, and would soon be returning to their home countries. During a brief sidebar discussion, MFA U/S Abdullah Rashid Al-Noaimi explained to AUSTR Cathy Novelli and Ambassador his concerns about passing the text of the draft law to the USG, before the cabinet had a chance to review it. He committed to sharing all relevant information verbally with the USG, and that they would take U.S. concerns into account. (Note: Post will work with the UAEG, the Department and USTR to put the relevant experts together.)

Jebel Ali Port and Free Zone

¶10. (U) Ambassador Zoellick also met with Sultan bin Sulayem, the Chair of the Dubai Ports, Customs, and Free Zone Corporation at the Jebel Ali port. Bin Sulayem noted that the Dubai's two ports (Jebel Ali and Port Rashid) were moving 6.2 million TEU and 14,000 ships a year between them (Port Rashid 1.2 Million TEU). In addition, Dubai ports moved 400,000 new and used cars. The port of Jebel Ali employed 8,400 people and the attached free zone had 3,800 companies based in it, almost 200 of them American.

¶11. (U) Bin Sulayem explained that Dubai was seeing China become a much stronger trading partner, adding that it had taken over from Japan as the number one partner. (Note: this presumably excludes oil, which ships out of Abu Dhabi, end note.) Other major partners included Japan, the UK and the U.S. (number 5). Bin Sulayem said Dubai ports viewed regional competition as a good thing, especially since transportation capacity was not growing as quickly as global trade flows. He cited Dubai's plans to increase port capacity to 20 million TEU by 2020.

Comment

¶12. (SBU) This was a very successful visit on in all respects. Ambassador Zoellick clearly explained the requirements for an FTA and laid out concerns that the UAE will need to address. For their part, UAE leaders welcomed his message and undertook to resolve problems in a positive, cooperative spirit. They also reiterated -- at a political level -- the UAEG's interest in negotiating an FTA with the USG and their willingness to address the concerns raised by Ambassador Zoellick. End Comment.

This cable has been cleared by Ambassador Zoellick's party.

Albright